

## Bank of England's QE losses to cost the Treasury £150 billion

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*Global central banks, including the Bank of England, above, are racking up record losses on the bonds they bought after the financial crisis because of high interest rates*

The Bank of England will make an estimated loss of £150 billion over the next decade as a result of its huge bond-buying programme, as surging interest rates add tens of billions of pounds of extra costs on the Treasury.

In its latest estimate of the cost of its decade-long quantitative easing programme, the Bank said that it would suffer an additional £50 billion of losses on its portfolio of gilts, a significant increase on the £100 billion estimate it made in April.

Central banks around the world are racking up record losses on the bonds they bought after the financial crisis as high interest rates force authorities to pay more on reserves created under quantitative easing.

In Britain, expectations of future interest rate rises have surged in the past month and the Bank was forced to carry out an outsized monetary tightening of half a percentage point in June to contain higher-than-expected inflation.

Surging interest rates drive down the price of outstanding bonds, imposing losses if the Bank has to sell the debt back to investors. The Bank's portfolio of bonds started in 2009 when it began buying up government and corporate debt after the financial crisis and peaked at £900 billion.

The QE programme was expanded after the Brexit vote and at the onset of the Covid-19 pandemic when the Bank and government feared an economic collapse.

Under an indemnification agreement between the Bank and the government, the Treasury is responsible for all profits and losses made under the quantitative easing programme, which had previously generated tens of billions of pounds for the government when interest rates were at historic lows.

Between 2009 and 2022, the Bank estimates that bond holdings raised a cumulative £124 billion for the Treasury. The government makes payments to the Bank to cover its losses.

Interest rates have been raised at the fastest pace since the Bank of England became independent in 1997, climbing from 0.1 per cent to 5 per cent.